

**Central Susquehanna Intermediate Unit
PO Box 213
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March 10, 2004

**Before the Federal Communications Commission
Washington, DC 20554**

In the Matter of:)	
)	
Schools and Libraries Universal)	CC Docket No. 02-6
Service Support Mechanism)	

**COMMENTS SUBMITTED BY THE
CENTRAL SUSQUEHANNA INTERMEDIATE UNIT**

INTRODUCTION

On behalf of the Central Susquehanna Intermediate Unit, we would like to thank the Commission for the opportunity to comment on the proposed changes to the E-rate program. The Central Susquehanna Intermediate Unit is an Educational Service Agency that provides services to school districts in Central Pennsylvania and has assisted numerous school districts with E-Rate applications since the first year of this program.

We thank the Commission for placing limits on Use of Internal Connections funding. As we stated in our testimony in May, many school districts in the 50 and 60% discount levels have not been able to secure E-Rate discounts for internal connections and in some cases actually find themselves behind schools with higher discount percentages. By permitting eligible entities to only receive discounts for Internal connections no more than twice every five years, will help distribute available discounts to more schools and ensure that equipment purchased with Internal Connections is not being replaced prematurely.

COMMENTS

1) Discount Matrix

Revising the current Discount Matrix across all service categories would pose a serious financial hardship to schools facing increased operational costs, and especially with limiting Internal Connection funding to 2 times every 5 years. For example if the discounts were decreased by 10% -this would represent a 10% increase in telecommunications and Internet Access charges, and would pose problems for schools and libraries that may have signed multi-year agreements.

Modifying the discount matrix for Internal Connections based upon the amount of funding requests, would make it extremely difficult for schools to accurately budget and plan for purchasing Internal Connection items.

We would recommend that the Commission maintain its current discount matrix and Internal Connection funding (2 requests every 5 years) guidelines at this time.

If the Internal Connections funding requests still exceed the funding cap after 2 years of the new Internal Connection guidelines, the revised discount matrix for Internal Connections is one option the Commission may wish to explore.

B) Competitive Bidding Process

Currently most school districts file Priority 1 Form 470's for telephone, long distance, wide area networks, cellular and Internet Service. Of these 470's most districts receive competitive and multiple bids on cellular, long distance and Internet Access. In many rural areas, districts do not receive any competitive bids on local telephone service and Wide Area Network Services because there are no options available other than the local Telephone Company.

As a result districts posting a Form 470 for local telephone service usually end up filing Month to Month unless they contact the local Telephone Company to secure a contract. Since there are no competitive services, the pricing that is submitted by the Telephone Company represents the only available option for the district. For these school districts, the Form 470 is not effective in securing competitive pricing or encouraging providers to offer service in their region.

We would propose the following options for the Form 470:

- A) Eliminate the Form 470 for local telephone service, including Centrex, and WAN services.
- B) Eliminate the Form 470 for schools that only wish to continue an existing telecommunication service and require a new Form 470 every 3 years or when additional services or increased capacity is requested (whichever comes first).

The above changes would simplify the application process, especially for schools that do not have any available options for this service.

We understand the Commission's concern in ensuring that applicants select the most cost-effective solution in situations where there is only a single or no response to a Form 470 from a service provider. Imposing limits on the amount of discounts would be very difficult to administer nationwide. In Pennsylvania alone the cost for a T1 Internet Access ranges from \$200.00 per month to \$3,000.00 per month depending on the geographic location. Trying to determine what is cost-effective and cost-excessive in applications where only a single service provider has responded will be difficult with no guarantee of success.

By requiring schools post a new Form 470 when they are requesting additional capacity or every 3 years would provide service providers the opportunity to competitively bid on this service and alert schools to additional service options if they become available in that region.

D) Wide Area Networks

Many rural school districts need substantial Wide Area Network bandwidth, but face limited options because of their location. Schools are faced either with securing bond monies and building and maintaining their own private fiber network or encouraging service providers to build infrastructure in these areas. For schools that lease networks from service providers, the up-front or "build out" charges are the only options for rural areas.

We feel that a non-recurring charge of \$500,000.00 or more pro-rated over a period of 5 years is fair and will help distribute Priority 1 funding more evenly while also assisting schools in encouraging service providers to install infrastructure for the district.

We recommend that the Commission does not permit funding for dark fiber under Priority 1 services. Schools that are leasing dark fiber networks from service providers are paying for future capacity, at the expense of other schools which may need Internal Connection discounts to be able to communicate at T1 speeds. Since E-Rate discounts are available for up-front capital

expenses, any additional capacity that was required because of the number of fiber strands, etc. should have been specified by the service provider and included in that funding request.

Since the installation of fiber networks typically requires multiple strands, which may or may not be fully utilized at the time of completion, we feel that limiting the up-front capital expense to \$500,000.00 per year for 5 years should apply to fiber networks even if they are only partially utilized.

Respectfully submitted;

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